REGISTERED NUMBER. 623364.

Town Centre Securities PLC

Annual Report and Accounts 2003

Improving Shareholder Value

Contents

Calendar of Events

Ex-dividend date	3 December 2003
Record date	5 December 2003
Annual General Meeting	16 December 2003
Final dividend for the year payable	5 January 2004

Town Centre Securities PLC is a property investment and development company. We aim to maximise shareholder returns over the long-term through the acquisition and active management of investments and developments with secure and improving income in good locations.

Financial Highlights

- Growth in net assets per share of 17.4%
- Property revaluation surplus of £16.4m
- 10.5% of shares repurchased at a cost of £10.4m
- Dividend per share up 10%
- Underlying basic earnings per share up by 6.2%
- Property acquisitions of £16.9m
- Property sales of £24.4m

		2003	2002
Profit before tax		**£8.7m**	£11.1m
Profit before tax*	– underlying	**£7.8m**	£8.3m
Earnings per share	– basic	**9.8p**	11.5p
	– diluted	**9.7p**	11.5p
Underlying earnings per share*	– basic	**8.6p**	8.1p
	– diluted	**8.5p**	8.1p
Dividends per share		**5.5p**	5.0p
Net assets per share		**270p**	230p
Gearing		**81%**	85%

*Underlying profit and earnings per share represent reported earnings per share adjusted for exceptional profit on disposal of properties (net of taxation) and prior year taxation adjustments to the current year tax charge.

"I remain confident in our ability to improve profits and achieve progress across our investment and development portfolios."

I Arnold Ziff

Chairman's Statement

I am pleased to report another successful year for the Group. I said last year that the Board was confident that it could develop shareholder value and I can report that net assets increased by £9.4m to £170.4m and net asset value per share increased 17.4% to 270p per share. Including a sizeable development portfolio we now own properties valued at £325m (2002: £316m).

I Arnold Ziff Chairman

Opposite top right: The Eagle Building, Glasgow
Opposite bottom left: Residential, Greenhithe
Opposite bottom right: Boar Lane, Leeds

Financial performance

The net sale of investment property and acquisition of our own shares for cancellation impacts on the absolute value of profits. Profit before taxation reduced to £8.7m compared to £11.1m in 2002, after exceptional profits on the disposal of property fell to £0.9m compared with £2.8m last year.

Basic earnings per share are 9.8p, compared to 11.5p last year; however underlying basic earnings per share, which exclude exceptional profits and certain tax adjustments, grew by 6.2% to 8.6p from 8.1p.

Our increased balance sheet strength and growth in underlying earnings per share, gives us the confidence to recommend a 10% increase in the final dividend to 3.85p (2002: 3.5p) increasing the total dividend for the year by 10% to 5.5p (2002: 5.0p). This final dividend will be payable on 5 January 2004 to shareholders on the register at 5 December 2003. The total dividend cost, following this 10% increase, reduced to £3.4m (2002: £3.5m) reflecting the lower number of shares in issue following the buy-back of shares for cancellation.

For the year ended 30 June 2003, shareholder value (calculated as the increase in net asset value plus dividends per share) was 45.5p per share (2002: 29.0p per share), equating to a 19.8% (2002: 14.1%) return on opening net assets per share.

We have sold £24.4m and bought £16.9m of investment properties. In addition we have commenced refurbishment projects to develop the under-utilised upper floors of high street retail properties in Leeds and York.

We have recently received a Council resolution in Salisbury supporting our redevelopment of a major foodstore and are progressing schemes at our other sites in Leeds and Manchester. Inevitably these take a long time to come to fruition as we endeavour to achieve the most beneficial financial outcome for shareholders.

Tender offer

Share prices in the Real Estate sector, including Town Centre Securities, generally trade at a substantial discount to total net asset value. For this reason we have purchased shares for cancellation over the past five years at an average price of 103p per share. This has helped deliver increased net asset value and dividends per share to long-term shareholders. However we recognise that this share repurchase programme has not been readily available to all shareholders and therefore the Board intends to recommend a Tender Offer to buy-back seven million shares at a price of 175p per share. Documentation in respect of this tender offer will be sent to shareholders shortly.

I would like to express my thanks to all my colleagues and staff for their continued hard work. We are intent on delivering shareholder value from strong foundations in the low inflationary market place and I remain confident in our ability to improve profits and achieve progress across our investment and development portfolios.

I Arnold Ziff Chairman
10 September 2003

"We have continued to focus on our core strategic aim of delivering shareholder value through increasing net asset value and earnings per share."

Edward Ziff

Chief Executive's Report

Operating review

We have continued to focus on our core strategic aim of delivering shareholder value through increasing net asset value and earnings per share. The commercial property investment market has continued to be strong, particularly in the provincial retail market which is where we are most active.

The disposal of ex growth properties and their replacement with investments that have better future prospects remains central to our core activities. This strategy has again delivered uplifts in both income and capital, with the underlying growth in our portfolio combined with our net rental income producing a total return, on the opening value of investment property, of 13%.

Our net asset value per share has performed strongly throughout the year. Growth has come from a variety of sources but it is particularly pleasing to see the result of the annual property revaluation carried out by Jones Lang LaSalle. The £16.4m uplift (5.6%) to £311.7m is the result of our decision to move the quality and lot size of our portfolio forward. The revaluation took no account of the potential uplift of up to £6.6m resulting from the changes to Stamp Duty announced in the budget. Expressed on a per share basis this £16.4m uplift equates to 23.4p per share (10.2%). A further 4.8p (2.1%) uplift came from retained earnings and other recognised gains and the share buy-back programme contributed 11.8p (5.1%) per share. Whilst we anticipate the purchase of shares for cancellation to slow down in the future, this year we acquired more shares, at a bigger discount to net asset value per share than in the previous year to the greater benefit of existing shareholders.

Our underlying earnings per share are also higher than ever, although total profits are constrained by the continued property disposal programme. During the year we sold £24.4m of properties at an average yield of 7.5%, but compared with interest charges, a profit shortfall is inevitably created. The Board debates this process continually, as the disposal of property in the current market is relatively easy compared to the purchase of sound, good value property where we can add value. The surplus cash generated from the net disposals made during this year, was therefore more effectively utilised to purchase shares for cancellation.

Property investment

Portfolio performance

All the Group's main operating areas have shown capital growth. Our high street shops (41% of the portfolio) grew by 6.4% and our shopping centres (30% of the portfolio) appreciated by 9.2%, reflecting strong demand for regional centres such as our largest asset, The Merrion Centre in Leeds. Having sold two smaller retail warehouses during the year for prices in excess of the previous year's revaluation, the performance of this sector (19% of the portfolio) at 0.3% reflected an unfavourable rent review settlement at Greenock, which adversely affected its capital valuation. Our offices and residential portfolios (10% of the portfolio) have shown capital growth of 2.6%, after taking into account the acquisition costs of The Eagle Building, Glasgow, purchased midway through the financial year.

Sales

We sold 15 properties for £24.4m, showing a realised gain after costs of £0.85m and an unrealised gain of £0.2m resulting from a property swap. The properties sold were mostly small shops in secondary towns, the sale of which continues to form part of our strategy; furthermore two older retail warehouses were also sold.

Acquisitions

We acquired £16.9m of property in the year under review. Our main acquisition was The Eagle Building, Bothwell Street, Glasgow, for £14.3m, which after Leeds is now the second most significant city in our portfolio. This prestigious property comprises

Edward Ziff Chief Executive Officer

Opposite top right: Buchanan Street, Glasgow
Opposite bottom left: Vicar Lane, Leeds
Opposite bottom right: KFC, Glasgow

James Crawford Investment Director

Property revaluation	Valuation 2003 £000	Valuation movement 02/03 %	Valuation 2002 £000	Valuation movement 01/02 %
Shopping centres	92,350	9.2	84,250	3.4
Retail warehouses & foodstores	58,380	0.3	66,515	4.0
Shops	128,275	6.4	135,319	3.9
Total retail	**279,005**	**5.9**	**286,084**	**3.6**
Offices & residential	32,741	2.6	16,775	2.8
Total investment properties	**311,746**	**5.6**	**302,859**	**3.4**

Property investment (continued)

Acquisitions (continued)

70,000 sq ft of air-conditioned offices leased to tenants including Eagle Star and various Government departments. Once rent reviews are settled this property will yield approximately 8.5%, with further rental and capital growth expected. A further acquisition was made of a property adjoining our holding in Wrexham and reconfiguration is now under review.

Asset management

Our occupancy rate of 97.5% has not been higher for many years and consequently other irrecoverable costs, including bad debts, have been reduced once again. Our portfolio still comprises 95% of freehold properties but head rents payable have been reduced after the sale of our leasehold investment in Stranraer. Key new lettings to tenants include refurbished offices to Leeds City Council within the Merrion Centre and retail units in Redcar and Glasgow.

Rent reviews of approximately 12% of the portfolio showed aggregate growth of 16.5% on the previous rents and the like for like growth in income from the investment portfolio was 2.5%. Once again we have seen strong rental growth from retail properties in major city centres, with particularly good rent review results from core holdings on Lands Lane, Leeds, Shandwick Place, Edinburgh and King Street, Manchester.

Following conversion of surplus upper floors to residential use, County House in central Leeds is now fully let and further conversions at Lendal, York and Thornton's Chambers, Leeds are in progress; these conversions will create a total of 22 new flats for letting.

Two blocks of six tenanted flats were acquired and resold during the year in Headingley, Leeds, creating a trading profit of £0.17m.

Property development

Manchester: Piccadilly Basin

The residential development sites which we sold within this large mixed use scheme are approaching completion, setting the scene for our office and retail developments.

JJB Sports plc has signed a conditional agreement to lease for a retail store and health club within the non-food retail element of the scheme. Discussions continue with other interested retailers for the remaining units, following the receipt of a detailed planning consent for 120,000 sq ft of open A1 use.

Top: The Maltings, Salisbury
Middle: Coney Street, York
Bottom: The Headrow, Leeds
Opposite: The Eagle Building, Glasgow

Chief Executive's Report

Property development (continued)

Manchester: Piccadilly Basin (continued)

The refurbishment of the Grade 2 listed former Rochdale Canal Office within the site, has now been completed. Initially these offices will be used as the marketing suite for the Piccadilly Basin development.

Leeds: Whitehall Road

The site infrastructure work including the access road and public areas to service our site is now under construction. Detailed discussions with potential tenants have continued and provided sufficient confidence for us to lodge a detailed planning application for a high specification 125,000 sq ft office building.

Richard Lewis Development Director

Leeds: Union Street

The centre of Leeds has for a long time lacked a large scale, modern retail development. We have been working with the adjoining owners, including Leeds City Council, to plan a fully integrated scheme. The principle of the enlarged development, comprising 1,000,000 sq ft, has received Council backing and the forthcoming year should see further progress in delivering this major scheme.

Salisbury: The Maltings

Following support from the Commission for Architecture and the Built Environment, we have, since the year end, received a Council resolution to grant detailed planning consent for a 75,000 sq ft foodstore for J Sainsbury Plc.

Kings Lynn: Pierpoint Retail Park

B&Q have entered into an agreement to lease for our proposed 55,000 sq ft store on this site, subject to planning consent.

Leeds: York Place

We have obtained a detailed planning consent to redevelop this investment property into 18,000 sq ft of offices, 24 apartments and basement parking.

Financial review

Operating performance

Turnover for the year to 30 June 2003 increased 2.7% to £24.6m (2002: £23.9m). Profit before tax excluding exceptional profits, was £7.8m (2002: £8.3m). Reported pre-tax profit, which includes the exceptional profit on the disposal of investment properties, was £8.7m (2002: £11.1m). This reduction is due to lower exceptional profits (£1.9m) and higher management expenses (£0.5m).

Though the level of underlying post tax profits are slightly lower at £5.7m (2002: £6.0m), the reduction in the weighted average number of shares in issue resulted in underlying basic earnings per share increasing by 6.2% to 8.6p (2002: 8.1p). Basic earnings per share reduced to 9.8p (2002: 11.5p per share).

After the revaluation of the investment property portfolio, retained earnings and the purchase of shares for cancellation, net assets increased £9.4m to £170.4m, with net assets per share up 17.4% to 270p (2002: 230p). The "triple" net asset value per share after taking into account the fair value adjustment on long-term debt and capital gains tax on the disposal of all properties is 219p (2002: 189p).

Dividends

The Directors propose an increased final dividend of 3.85p per share (2002: 3.5p), making a total dividend for the year of 5.5p per share (2002: 5.0p), an increase of 10%. The increased dividend is covered 1.66 times by underlying earnings (2002: 1.70 times) and the dividend cost has reduced to £3.4m (2002: £3.5m).

Top: KFC, Glasgow
Middle: Artist's impression of Eider House, Manchester
Bottom: Residential, Vicar Lane, Leeds
Opposite: The Merrion Centre, Leeds

John Sutcliffe Finance Director

Financial review (continued)

Financing and gearing

Net interest costs increased by 4.1% to £11.3m (2002: £10.9m). Interest cover before profits on disposal of properties was 1.69 times (2002: 1.76 times), reflecting the Group's strong underlying financial position.

Year end borrowings were £137.9m (2002: £137.0m), with gearing comfortably inside agreed facilities at 80.9% (2002: 85.1%). Of total gearing, long-term fixed interest debt constitutes 63% and the remainder is at floating rates. The mortgage debenture, with interest payable at a rate of 10.5%, matures in 2021. Total borrowings compared to total property assets stood at 42.4% (2002: 43.3%).

Taxation

The Group's tax charge of £2.2m represents an overall tax rate of 25.3% and comprises corporation tax for the current year of £1.4m and current year deferred tax of £0.9m, offset by a net prior year release of tax provisions of £0.1m.

Cash flow

At 30 June 2003 total borrowings had increased by £0.9m on the previous year. Sales of properties realised £14.6m offset by property acquisitions of £5.9m. These values are net of the £10.9m of property transferred as part of the acquisition of The Eagle Building. The cash outflow to purchase our own shares for cancellation was £10.4m. We continue to work well within our committed facilities and have completed negotiations to renew a five year facility with one of our key lending partners.

Performance benchmarking and total returns

The Company's annualised total shareholder return from 5 April 1999 (being the date on which the Company initiated its long standing buy-back programme) to 9 September 2003 was 27.8%.

The HSBC Property Perspectives report of July 2003, ranked Town Centre Securities PLC seventh out of 62 companies reviewed in terms of total returns over the last three years. Interestingly the report shows that we have outperformed direct property, the stockmarket as a whole and the Real Estate sector index over three, five and ten years. Our focus on shareholder value has therefore delivered better returns than both the respective UK equity and property indices. For the year ended 30 June 2003, shareholder value calculated as the increase in net asset value per share plus dividends per share was 45.5p (2002: 29.0p), equating to a 19.8% (2002: 14.1%) return on opening net assets.

Through active management of the investment and development portfolio, we will strive to grow value for all shareholders.

Edward Ziff Chief Executive
10 September 2003

Ten Year Record

	Properties £000	Investments £000	Borrowings £000	Net assets £000	Net assets per share Pence
2003	**324,271**	**1,788**	**137,931**	**170,406**	**270**
2002	315,147	1,693	136,956	160,987	230
2001	287,460	1,486	118,513	153,292	206
2000	308,757	1,364	132,120	173,065	177
1999	323,166	1,082	134,433	181,170	154
1998	306,044	4,078	121,883	175,806	142
1997	283,408	13,164	118,524	173,452	141
1996	259,708	11,416	103,841	156,760	127
1995	241,636	10,558	89,648	156,764	128
1994	226,698	8,860	74,288	155,080	127

	Gross revenue £000	Underlying profit before tax £000	Dividends per share Pence	Earnings per share	
				Reported Pence	Underlying Pence
2003	**24,591**	**7,817**	**5.5**	**9.8**	**8.6**
2002	23,936	8,279	5.0	11.5	8.1
2001	37,988	7,871	4.75	17.3	7.1
2000	36,012	10,593	4.5	8.6	7.4
1999	31,105	11,023	4.3	8.8	6.9
1998	29,341	10,968	4.1	4.8	6.8
1997	27,574	10,564	4.0	8.9	6.6
1996	24,177	9,867	3.7	6.3	6.2
1995	21,965	9,300	3.4	6.7	5.1
1994	20,003	8,697	3.2	5.7	4.8

Notes:

1. Dividend per share, earnings per share and net assets per share have been restated to take account of the bonus issue of shares in 1994 and reorganisation of share capital in 1998.
2. Underlying profit before tax and underlying earnings per share have been adjusted to exclude exceptional profits on disposal of investment properties and prior year tax adjustments.
3. The results for the year ended 30 June 2001 have been restated for FRS 19 "Deferred Tax".

Property Portfolio

Opposite: WH Smith, Leeds

Principal properties		Tenure	Area sq ft
Shopping centres			
Leeds	The Merrion Centre	F/H	500,000
An island site which comprises a covered shopping centre, multistorey car park, hotel and office development. Major tenants include Leeds City Council and Morrisons.			
Salisbury	The Maltings	L/H	87,000
The scheme comprises a supermarket, 24 retail units, public house, flats and car park. The principal tenant is Sainsburys.			
Retail warehouses and food stores			
Derby	Kingsway Retail Park	F/H	20,000
The property comprises a prominent retail unit adjoining a food store and non-food retail park. The property is let to Currys.			
Glasgow	363/381 Byres Road & 9/19 Grosvenor Lane	F/H	32,000
The premises form a supermarket and multistorey car park let to Safeways.			
Greenock	Waterfront Retail Park	F/H	77,000
The property comprises a retail warehouse development of seven units with an open A1 non-food planning consent and a fast food restaurant. Tenants include Currys, Halfords, Comet and Carpetright.			
Kings Lynn	Pierpoint Retail Park	F/H	66,000
The property comprises a retail warehouse park forming four units with an open A1 non-food planning consent. The tenants are Homebase, DFS, Powerhouse and Comet.			
Rochdale	Central Retail Park	F/H	143,000
The property forms a mid 1980's retail park leased to Poundstretcher, Focus, Halfords, MFI and a new development let to Matalan. The park benefits from an open A1 non-food planning consent.			
Stockton	Portrack Retail Park, Portrack Lane	F/H	65,000
The property comprises two terraces of retail warehousing, each divided into three units. Tenants include Staples, Harveys and The Sofa Company.			
Offices and show homes			
Glasgow	33 Bothwell Street	F/H	26,841
The property comprises a modern office block on six storeys with a basement floor providing 12 car parking spaces. It enjoys a prominent city centre site. Tenants include Starbucks, Turner Townsend, Bovis Lend Lease and Tods Murray.			
Glasgow	The Eagle Building, 215 Bothwell Street	F/H	69,212
The property comprises a modern fully air conditioned office building providing open plan office accommodation over eleven storeys with two basement floors providing 33 car parking spaces. Tenants include Zurich Insurance, Eagle Star Insurance and the Secretary of State for the Environment.			
London	Ingress Park, Greenhythe, Kent	F/H	N/A
The property comprises six terrace houses, two duplex apartments, and two apartments. The tenant is Crest Nicholson Residential (South East).			
London	Pereshaw, Worple Road, Isleworth	F/H	N/A
The property comprises four houses, one detached, two end terraces and a mid terrace. The tenant is Crest Nicholson Residential (South).			
London	Lidbury Square, Mill Hill	F/H	N/A
The property comprises five houses, ranging from a five bedroom detached house to a two bedroom mid terrace. The current tenant is Crest Nicholson Residential (Eastern).			
Nottingham	Phoenix House, Colliers Way	F/H	17,180
The property comprises a modern fully air conditioned office building on two floors prominently situated on a leading business park; there are 89 car parking spaces. The property is let to a computer software company.			

Property Portfolio

Opposite: Waterstones, Leeds

High street shops		Tenure	Area sq ft
Blackpool	**6/24 Abingdon Street & Abingdon Street Market**	F/H	29,000
The property comprises three shop units with offices above and a long established covered market. Tenants include Specsavers, John Waddington Cards and Lloyds Pharmacy.			
Blackpool	**18/22 Victoria Street**	F/H	8,000
The property forms a two storey shop development let to Arcadia Group Plc.			
Crewe	**60/66a Market Street & 1 Earle Street**	F/H	13,000
The property comprises a parade of eight shops. Tenants include Orange, Select, Claire's Accessories and Dolland and Aitchinson.			
Edinburgh	**1/23, 35/47 & 63/65 Shandwick Place**	F/H	24,000
The property comprises a series of period buildings, forming retail premises with offices above. Tenants include Aer Lingus, C&J Clark, Newcastle Building Society and Costa Coffee.			
Glasgow	**101/107 Buchanan Street**	F/H	10,500
The property provides retail accommodation on basement, ground and first floors with ancillary accommodation above. The tenants are Dune and Black and Lizars.			
Glasgow	**Empire House, West Nile, 59 Sauchiehall & 108/112 Renfield Street**	F/H	69,000
The property forms an island site comprising nine retail units with four floors of offices above. Tenants include Starbucks, Halifax, Laing the Jeweller, Gold Group International and Pizza Hut.			
Huddersfield	**31/35 New Street & 1/20 Market Avenue**	L/H	19,000
The property comprises two shop premises, an arcade forming 12 retail units and offices. Tenants include Orange, Stylo Barratt and Cheltenham & Gloucester.			
Leeds	**93/97 Albion Street**	F/H	21,500
The property comprises a single retail unit on the ground and two upper floors let in its entirety to Waterstones.			
Leeds	**50/54 Albion Street & 35 Albion Place**	F/H	18,000
The property forms a Grade 2 listed building currently occupied as two retail premises together with upper parts, and a basement wine bar. The property is leased to Austin Reed, Game Retail and West Midlands Taverns.			
Leeds	**5/7 Lands Lane & 30/34 Albion Place**	F/H	25,000
A retail unit on ground and three upper floors together with an adjoining three storey period office property. The property is leased to WH Smith and Pertemps Group.			
Leeds	**24/29 Boar Lane**	F/H	18,000
The property forms two retail units with ancillary parts and flats above. The principal tenants are Yates and Simply Internet.			
Leeds	**55/69 The Headrow & 38 Lands Lane**	F/H	14,000
A three storey building with basement comprising six shop units with two floors of offices above. Tenants include Jacques Vert and Whittards.			
Leeds	**76/82 Vicar Lane**	F/H	39,000
The property comprises a five storey building principally used for retail purposes. The main tenants are Flannels and Fired Earth.			
Manchester	**34/36 King Street**	F/H	6,800
The property forms a retail unit on basement and ground floors with ancillary office accommodation above. The property is let in its entirety to Planet.			
Wrexham	**26, 28/31 Hope Street, 3A/3B & 5 Priory Street**	F/H	25,000
The premises comprise five retail units on ground and upper floors. Tenants include Dixons and C&J Clark.			
York	**50/52A Coney Street & 4/6 Market Street**	F/H	11,000
The property comprises four retail units with ancillary accommodation above on a prominent corner position. The tenants are T Mobile, Milletts and Fraser Hart.			
York	**2/8 Pavement & 5/9 Piccadilly**	F/H	14,000
The property comprises two retail premises on ground and two upper floors let to Lloyds TSB and Oddbins.			

Board of Directors

From left to right: Clive Lewis, John Sutcliffe, James Crawford, I Arnold Ziff, Richard Lewis, Robin Smith, Edward Ziff.

Executive Chairman

I Arnold Ziff OBE LLD, age 76, founded the Company in 1959 and has remained Chairman since that date. He was also Chairman of Stylo PLC until his retirement in 2000. His past directorships include Halifax plc, Leeds Permanent Building Society and he was a Non-executive Director on the regional board of Lloyds Bank plc.

Executive Directors

Edward Ziff, age 43, joined the Company in 1980. He was appointed to the Board in 1985 and has served as Managing Director since 1993. In February 2001 he was appointed Chief Executive Officer.

James Crawford MRICS, age 41, joined the Company in 1994 and was appointed to the Board in 1996. He is a chartered surveyor who previously worked in private practice. He has responsibility for all property investment, portfolio management and health and safety matters.

Richard Lewis FRICS, age 48, joined the Company in April 2000 and was appointed to the Board in February 2001 as Director responsible for the Group's property development activities and environmental matters. He is a chartered surveyor and previously worked for First Group plc.

John Sutcliffe ACA, age 44, joined the Board in May 2002 when he was appointed Finance Director. He is a chartered accountant and previously worked as Finance Director for Abbeycrest Plc. He is responsible for all financial, treasury and company secretarial matters.

Non-executive Directors

Clive Lewis Hon D Litt FRICS, age 67, joined the Company in 1994. A past President of the Royal Institution of Chartered Surveyors, he also serves as a Non-executive Director of Freeport PLC and was, until July 2002, the Chairman of the Bank of England property forum.

Robin Smith TD LL.B DL, age 60, joined the Company in 1999. A former senior partner of DLA and past President of the Leeds Law Society, he also serves as a Non-executive Director of Leeds and Holbeck Building Society and is the Yorkshire Regional Chairman of Coutts & Co.

Company Advisers

Bankers
Lloyds TSB Bank plc
The Royal Bank of Scotland
Yorkshire Bank plc

Brokers
Deutsche Bank AG London

Trustees to mortgage debenture holders
Capita IRG Trustees

Auditors
PricewaterhouseCoopers LLP

Solicitors
DLA

Financial advisers
KPMG Corporate Finance

Valuers
Jones Lang LaSalle

Corporate public relations
Weber Shandwick Square Mile

Registrar and transfer office
Northern Registrars Limited
Northern House, Woodsome Park
Fenay Bridge, Huddersfield HD8 0LA

Registered office
Town Centre House
The Merrion Centre
Leeds LS2 8LY

Registered number
623364 England

Directors' Report

The Directors have pleasure in presenting the Annual Report and Accounts for the year ended 30 June 2003. A review of the performance of the Group and its results for the year together with its future prospects is contained on pages 1 to 15, which should be read in conjunction with this report.

Principal activities

The principal activities of the Company and its subsidiary undertakings (the Group) during the financial year remained those of property investment, development and trading.

Results for the year and dividends

The results are set out in the Consolidated Profit and Loss Account on page 28.

An interim dividend of 1.65p per share was paid on 30 June 2003 and the Directors now recommend the payment of a final ordinary dividend of 3.85p per share.

Fixed assets

Details of movements in fixed assets are set out in Notes 11 and 12 to the Accounts.

Properties held for trading and development are valued at cost or at Directors' previous valuation. Certain residential and other sundry assets were revalued by the Directors at £6,141,000 (2002: £30,000 excluding the residential portfolio which was valued by FPD Savills International at £6,000,000). All other freehold and long leasehold investment properties have been revalued by Jones Lang LaSalle, as at 30 June 2003, on the basis of open market value. In arriving at the total valuation each property has been valued individually and no allowance has been made for expenses of realisation nor for taxation which may arise in the event of disposal.

Share capital

During the year the Company purchased in the market a total of 7,341,241 ordinary shares (nominal value £1,835,310) for a total consideration of £10,383,202. These shares were subsequently cancelled. This action took advantage of stock market conditions to enhance returns for the remaining shareholders. Detailed changes in the Company's issued share capital during the year are set out in Note 18 to the Accounts.

Derivatives and other financial instruments

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts, bank loans and debenture stock.

The Group seeks to minimise the risk of fluctuating interest rates by using long-term fixed debt to match its property ownerships and commitments. The Board constantly reviews its interest rate exposure and uses swaps and other instruments for hedging purposes as it considers appropriate.

Detailed disclosure in respect of derivatives and financial instruments, in accordance with FRS 13, is set out in Note 17 to the Accounts.

Supplier payment policy

It is the Company's policy to agree payment terms with suppliers when entering into each transaction or series of transactions to ensure that suppliers are made aware of these terms and to abide by them. Creditor days at the end of the year for the Group were 13 days (2002: 25 days), and for the Company were 3 days (2002: 17 days).

Donations

Charitable donations during the year amounted to £22,000 (2002: £28,000), details of charities supported by the Group in the year are set out on page 49. The Group has made no political contributions.

Taxation status

The Company is not a close company.

Directors' and officers' liability insurance

The Group maintains liability insurance on behalf of the Directors and officers of the Group.

Directors' Report

Substantial shareholdings

Excluding those of the Directors, the Company had been notified of the following substantial interests in its share capital at 31 August 2003.

	No. of shares	% of issued capital
A L Manning	6,074,936	9.67
M A Ziff	3,549,998	5.65

Directors

The Directors of the Company at the year end are shown on page 16 and their interests in the shares of the Company are disclosed in the Directors' Remuneration Report on pages 22 to 26. R A Smith, T J Crawford and R A Lewis retire by rotation and offer themselves for re-election at the Annual General Meeting. At no time during the year has any Director had any interest in any significant contract with the Company.

Employees

The Group encourages the involvement of all employees in the Group's performance through savings related share option schemes and other share option schemes. In all employment matters the Group maintains its commitment to an equal opportunities policy.

Capital gains tax

For capital gains tax purposes, the adjusted March 1982 value of the ordinary shares is 24.8p, which is increased by indexation up to 30 June 2003 to 56.6p.

Environmental statement

The Group has made further progress to improve its environmental performance. It continues to develop and refine its environmental management systems and has established a monitoring programme of energy, waste and water usage across its sites. The Group now:

- Undertakes a regular review of its policy documentation;
- Operates a management system for implementing policy commitments and awareness;
- Sets performance targets for the reduction of resource use and waste; and
- Initiates a performance requirement for its main contractors.

The communication of the environmental policy to all employees and tenants is vitally important and the forthcoming year will see the production of regular newsletters to increase awareness and promote recycling and minimisation of waste.

The Group is committed to complying with all legislative obligations relating to its interaction with the environment. In the last year the Group received no enforcement notices, neither did it face any legal action, from the relevant Environmental Agencies. The Group encourages the development of energy efficient buildings with reference to BREEAM standards, and wherever possible, takes into consideration green transport plans and promotes the development of mixed use schemes close to transport inter-change nodes.

Annual General Meeting

A separate notice will be issued explaining the special business to be considered at the Annual General Meeting on 16 December 2003. This will include renewal of the Company's authority to allot equity securities for cash other than on a pre-emptive basis to existing shareholders and the renewal of the authority to purchase, in the market, the Company's own shares. The Directors also intend to seek shareholder approval for the adoption of a new Inland Revenue Approved Share Incentive Plan, details of which will be included in the notice to the meeting.

Auditors

Following the conversion of PricewaterhouseCoopers to a Limited Liability Partnership (LLP), PricewaterhouseCoopers resigned on 10 February 2003 and the Directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. The auditors PricewaterhouseCoopers LLP have expressed their willingness to continue in office and a resolution for the reappointment of PricewaterhouseCoopers LLP as auditors of the Company is to be proposed at the Annual General Meeting.

By order of the Board

John Sutcliffe

John Sutcliffe Secretary
10 September 2003

Corporate Governance

Statement of Directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Group and Company at the end of the year and of the profit or loss of the Group for that period. The Directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 30 June 2003 and that applicable accounting standards have been followed.

The Directors are responsible for keeping proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of compliance with the Combined Code

The Board of Directors has complied with the Combined Code throughout the period except for the following matters:

- Under the terms of the articles it is not currently a requirement for the Chairman and the Executive Directors to retire by rotation as recommended by Code provision A.6.2. The Executive Directors voluntarily offer themselves for retirement by rotation;
- In view of the size of the Board it has not been considered appropriate to establish a Nominations Committee as recommended by Code provision A.5.1. Instead the entire Board acts as a Nominations Committee;
- The Chief Executive Officer has a service contract with a notice period greater than one year, which is the recommended limit in Code provision B.1.7;
- Following the resignation of J M Blackburn on 11 December 2002, the Board now comprises only two Non-executive Directors rather than the three as recommended by the Code provision D.3.1;
- Following the resignation of J M Blackburn on 11 December 2002, less than one third of the Board's members are Non-executive Directors as recommended by the Code provision D.3.1; and
- The Non-executive Directors do not have service contracts as recommended by the Code provision A.6.1.

Board of Directors

In addition to the Chairman, the Board comprises two Non-executive Directors and four Executive Directors. The senior Non-executive Director is R A Smith. The Board considers that both Non-executive Directors should be regarded as independent. J M Blackburn retired at the last Annual General Meeting and the Board is currently seeking a replacement.

The full Board meets nine times a year and in addition annually reviews the strategic direction of the Group. The Board manages overall control of the Group's affairs by the schedule of matters reserved for its decision. These include the approval of financial statements, business plans, all major acquisitions and disposals, risk management strategy and treasury decisions.

The Board has established a review forum which comprises certain Executive Directors and senior managers who meet monthly. The Board has delegated to the review forum responsibility for executing its strategies and policies, operational management and the implementation of the systems of internal control, within agreed parameters.

There is an agreed procedure for Directors to take independent professional advice at the Company's expense if necessary in the performance of their duties. This is in addition to the access which every Director has to the Company Secretary.

The Board's Audit Committee is composed solely of the Non-executive Directors. It meets with the external auditors twice a year and its duties include the monitoring of the Group's financial controls, the detailed review of the Annual Report and Accounts and interim statement before submission to the full Board and the review of the Group's accounting policies. The Chairman, Chief Executive Officer and Finance Director are usually invited to attend these meetings.

The Remuneration Committee of the Board is comprised solely of the Non-executive Directors.

The entire Board acts as a Nominations Committee and is responsible for the selection and approval of candidates for appointment to the Board.

Corporate Governance

Internal control

The Combined Code on internal control requires that the Directors review, at least annually, all controls including operational, compliance and risk management as well as financial controls and report to shareholders that they have done so. The Board of Directors is responsible for ensuring that adequate internal controls are in place to safeguard the assets and interests of the Group and Company, and considerable importance is placed on maintaining a strong control environment. However, any such control system can only give reasonable and not absolute assurance against material misstatement or loss.

Processes and procedures for identifying and managing the risks faced by the Company have been operating fully since 1 November 2000. The Board and subsidiary Board have conducted risk assessment reviews which accord with the Turnbull Committee guidance issued in September 1999.

The key control procedures, which the Directors have established with a view to providing effective internal control, are as follows:

- An annual review of all business risks by the Board and the subsidiary Board, which also identifies procedures to manage and mitigate such risks;
- A clearly defined organisational structure with appropriate levels of authority and segregation of duties;
- A comprehensive system of financial reporting to the Board and senior Executives based upon an annual budget in line with strategic objectives. Performance is monitored and relevant action is taken throughout the year through reporting of variances from budget and updated profit forecasts;
- Active participation by the Board in treasury management matters. Cash flow projections are prepared monthly on a rolling two year basis;
- Capital expenditure and disposal proposals are appraised and monitored by the subsidiary Board on a project by project basis. Significant acquisitions and disposals are ratified by the main Board; and
- The Group does not currently have an internal audit function but the need for one is considered by the Audit Committee from time to time.

Going concern

The Directors are satisfied that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the Accounts.

By order of the Board

John Sutcliffe Secretary
10 September 2003

Directors' Remuneration Report

The Directors present the Directors' Remuneration Report for the year ended 30 June 2003.

The report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002, which introduced new requirements for the disclosure of Directors' remuneration in respect of financial periods ending on or after 31 December 2002. The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority.

As required by the Directors' Remuneration Report Regulations 2002, a resolution to approve the Directors' Remuneration Report will be proposed at the Company's Annual General Meeting.

The auditors are required to report to the shareholders on the "auditable part" of the Directors' Remuneration Report and to state whether in their opinion the "auditable part" has been properly prepared in accordance with the Companies Act 1985. The report therefore has separate sections containing unaudited and audited information.

Unaudited information

Remuneration Committee

The Remuneration Committee consists wholly of independent Non-executive Directors. The following independent Non-executive Directors served as members of the Remuneration Committee during the year and in the period to 10 September 2003 unless otherwise stated:

R A Smith (Chairman of the Remuneration Committee)
C H Lewis
J M Blackburn (retired 11 December 2002)

The Remuneration Committee makes recommendations to the Board, within agreed terms of reference, concerning the Company's framework of Executive remuneration. The Remuneration Committee determines the remuneration and benefits packages of the Chairman and Executive Directors, considers their service contracts, salaries and other benefits including bonuses and participation in the Company's share option plans and other terms and conditions of employment including any compensation payments on termination of office.

E M Ziff is invited to attend meetings where appropriate to provide advice to the Remuneration Committee. However no Executive Directors are present when matters affecting their own remuneration are discussed by the Remuneration Committee.

Remuneration policy

The Remuneration Committee sets the remuneration of the Chairman and Executive Directors. The remuneration of Non-executive Directors is determined by the Board. The remuneration policy is that the remuneration package of the Executive Directors should be sufficiently competitive to attract, retain and motivate directors to achieve the Company's objectives. In determining the remuneration policy the Company aims to attract and retain directors to manage the Company successfully, without making excessive payments.

There are five main elements to the remuneration packages of the Executive Directors:

- Basic salary and benefits
- Annual bonus awards
- Long-term incentives
- Share options
- Pensions

Basic salary and benefits

Directors' basic salaries and benefits are reviewed annually. The Committee takes into account individual performance, the recommendations of the Chief Executive, published remuneration information on comparable companies and the salary policy within the Group, in making its recommendations to the Board. Benefits include the provision of company cars, though in the case of R A Lewis and J T Sutcliffe a salary alternative is paid, and permanent health and medical insurance premiums. The value of benefits, or the salary alternative, is not pensionable. The value of each element of the salary, pension and benefits package is set out in the table and the Notes on page 24.

Annual bonus awards

The Directors and senior managers are eligible to participate in the Group's discretionary Annual Bonus Scheme, under which a percentage of salary is awarded based on a combination of individual and Group performance in terms of profit and the growth in shareholder value (based on the increase in net asset value per share and dividends paid.) The annual award is made, at the discretion of the Board on the recommendation of the Remuneration Committee, up to a maximum of 60% of salary.

Unaudited information (continued)

Long-term incentives

The Executive Directors' long-term incentive awards have been achieved through an Unapproved Executive Share Option Scheme, which was approved by shareholders in 1994 and is not subject to Inland Revenue rules. The scheme is subject to the satisfaction of specific performance targets. The target compares the Company's total shareholder return (measured by a combination of change in share price and dividends paid) against that of the FTSE Real Estate Index over a rolling three year period. These unapproved options are partially exercisable provided the performance exceeds the median of the index, with a further partial exercise for top quartile performance and full exercise for top decile performance. Executive Directors and certain employees are eligible to participate in the scheme. The right to exercise unapproved options terminates on the employee ceasing to hold office with the Group, subject to certain exceptions and the discretion of the Board. The shares granted to the Executives are disclosed in the Directors' share option holdings on page 26.

All performance criteria to allow full exercise of the unapproved options in respect of E M Ziff and T J Crawford have been met. These performance conditions were chosen because they are challenging and not only take into account the need for long-term performance and commitment but are also important means of aligning the interest of employees and shareholders.

During the year the Board resolved, on the recommendation of the Remuneration Committee (which had taken account of the returns to Executives under the Unapproved Executive Share Option Scheme), to pay special bonuses to E M Ziff, T J Crawford and R A Lewis to reflect their achievements over the previous three years which had resulted in the Company being ranked sixth out of 68 property companies in HSBC Property Perspectives of July 2002 in total returns over this period. The bonuses awarded are included in Note (a) to the table of Directors' remuneration on page 24.

Share options

Share option schemes are seen as an effective way of aligning the long-term interests of Executive Directors with those of shareholders. The Company operates two types of share option scheme in respect of ordinary shares:

- A Save As You Earn (SAYE) Share Option Scheme, which is open to all eligible employees including Executive Directors. Non-executive Directors do not participate. The scheme was approved by shareholders and is subject to Inland Revenue rules. Options have been granted to scheme members at 100% of the prevailing market price. There are no performance criteria attached to the exercise of these options. These options may be exercised within a fixed six month period, three, five or seven years from the date of grant. The right to exercise options terminates if the employee ceases to be employed by the Group subject to certain exceptions and the discretion of the Board; and
- An Executive Share Option Scheme, which was approved by shareholders in 1997 and is subject to Inland Revenue rules. Executive Directors and certain employees are eligible to participate in the scheme. There are no performance criteria attached to the exercise of these share options which must be exercised between three and ten years from the date of grant. The right to exercise options terminates upon the Executive ceasing to hold office or employment with the Group subject to certain exceptions and the discretion of the Board.

Pensions

All Executive Directors are members of the Group's defined contribution pension and life assurance scheme. The scheme provides Executive Directors with a pension based on a target, depending on length of service, of up to two-thirds of pensionable salary on retirement. The scheme also provides a lump sum death in service benefit and pension for dependents of members on their death in service or following retirement. Normal retirement age is 60.

Service contracts

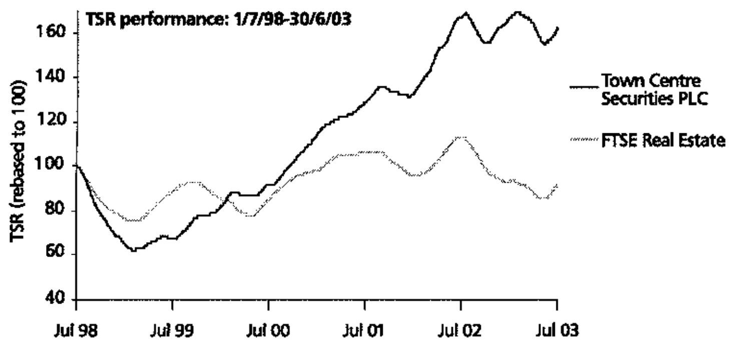
The Chairman and the Non-executive Directors do not have service contracts.

The other Executive Directors who held office at 30 June 2003 have service contracts which provide for normal retirement age at 60. E M Ziff has a service contract that is subject to not less than two year's notice. T J Crawford, R A Lewis and J T Sutcliffe have service contracts under which they are entitled to one year's notice. The Company can discharge any obligation in relation to the unexpired portion of their notice period or any notice required to be given under their service contracts by making a payment in lieu thereof subject to the deduction of tax and national insurance. If the Company terminates employment without giving notice and or makes a payment in lieu of any damages to which the Executive might be entitled, the payment is to be calculated in accordance with common law principles, including those relating to mitigation of loss and accelerated receipt.

Unaudited information (continued)

Performance graph

The following graph shows the Company's Total Shareholder Return (TSR) performance, compared with the FTSE Real Estate Index, measured in the same way, over the five years ended 30 June 2003. The FTSE Real Estate Index has been selected because the Company believes that the constituent companies comprising the Index are the most appropriate for this comparison as they are affected by similar commercial and economic factors.



Audited information

Directors' remuneration

	Notes	Salaries/ fees/bonuses		Taxable benefits		Profit sharing scheme		Pension contributions		Total	
		2003 £000	2002 £000	**2003 £000**	2002 £000	**2003 £000**	2002 £000	**2003 £000**	2002 £000	**2003 £000**	2002 £000
Executive Chairman											
I A Ziff	(a)	**227**	205	**36**	20	**3**	2	**–**	–	**266**	227
Executive Directors											
E M Ziff	(a)	**591**	346	**26**	20	**3**	2	**52**	77	**672**	445
T J Crawford	(a)	**295**	177	**19**	13	**3**	2	**33**	47	**350**	239
R A Lewis	(a)	**265**	192	**2**	1	**3**	–	**44**	50	**314**	243
J T Sutcliffe	(a)(b)	**155**	18	**1**	–	**–**	–	**19**	3	**175**	21
		1,533	938	**84**	54	**12**	6	**148**	177	**1,777**	1,175
Non-executive Directors											
J M Blackburn	(b)	**14**	25	**–**	–	**–**	–	**–**	–	**14**	25
C H Lewis	(c)	**24**	20	**–**	–	**–**	–	**–**	–	**24**	20
R A Smith		**24**	20	**–**	–	**–**	–	**–**	–	**24**	20
		62	65	**–**	–	**–**	–	**–**	–	**62**	65
		1,595	1,003	**84**	54	**12**	6	**148**	177	**1,839**	1,240

Notes:

(a) Salaries, fees and bonuses include the following amounts in respect of bonuses. Bonuses awarded in accordance with the Annual Bonus Plan: I A Ziff £66,000 (2002: £60,000), E M Ziff £112,000 (2002: £102,000), T J Crawford £60,000 (2002: £52,000), R A Lewis £60,000 (2002: £52,000), J T Sutcliffe £40,000 (2002: £4,000). Bonuses awarded in accordance with the Long-Term Incentive Plan: E M Ziff £205,000 (2002: £nil), T J Crawford £90,000 (2002: £nil) R A Lewis £45,000 (2002: £nil).

(b) J T Sutcliffe was appointed to the Board on 23 May 2002. J M Blackburn retired from the Board on 11 December 2002.

(c) Payments in respect of the services of C H Lewis as a Director include amounts paid to Penloo Consulting Limited, a Company which he controls.

(d) At the year end accrued pension contributions, in respect of four Directors of £100,000 (2002: £92,000) were awaiting transfer into the defined contribution scheme.

Audited information (continued)

Directors' interest in shares

The interests of the Directors in the ordinary share capital of the Company are as follows:

		30 June 2003 Number	1 July 2002 Number
I A Ziff	Beneficial	**5,838,561**	5,838,561
	Non-beneficial	**3,541,095**	3,541,095
	As trustee	**3,842,825**	3,775,417
E M Ziff	Beneficial	**7,102,514**	6,884,106
	As trustee	**6,370,716**	6,370,716
	Deferred Annual Bonus Plan	**144,223**	144,423
T J Crawford	Beneficial	**111,807**	35,307
	Deferred Annual Bonus Plan	**73,383**	73,383
R A Lewis	Beneficial	**46,040**	31,040
	Deferred Annual Bonus Plan	**57,789**	57,789
J T Sutcliffe	Beneficial	**10,000**	10,000
C H Lewis	Beneficial	**51,472**	51,472
R A Smith	Beneficial	**24,650**	24,650

The E M Ziff beneficial and trustee interests include 3,541,095 ordinary shares shown held non-beneficially by I A Ziff, 3,842,825 ordinary shares included in I A Ziff's trustee interest and 151,011 ordinary shares included in I A Ziff's beneficial interest.

I A Ziff, E M Ziff, T J Crawford, R A Lewis and J T Sutcliffe are Directors of TCS Trustees Limited, trustee of the Deferred Annual Bonus Plan. At 30 June 2003, TCS Trustees Limited held 285,003 ordinary shares (2002: 387,648) on behalf of all participants including those share awards of Executive Directors shown above. No shares will be issued as part of the bonuses for the year ended 30 June 2003.

In addition to the disclosures above, E M Ziff, T J Crawford, R A Lewis and J T Sutcliffe are trustees of the trust holding ordinary shares under the Group's approved Employee Profit Sharing Scheme. At 30 June 2003 the trustees held 97,006 ordinary shares (2002: 189,273) on behalf of all staff participants including Executive Directors. The trustees have no rights to vote with these shares except in accordance with the employees instructions. The entitlement of I A Ziff, E M Ziff, and T J Crawford to 3,349 ordinary shares each under the scheme is included in their respective beneficial interests shown above.

On 13 March 2003, R A Lewis purchased 15,000 ordinary shares at 132.0p.

None of the above interests changed between 30 June 2003 and 10 September 2003 with the exception of T J Crawford who exercised 5,000 share options on 10 July 2003, under the 1994 Unapproved Scheme at 104.0p, the market price on the date of exercise was 147.5p creating a gain of £2,175.

Audited information (continued)
Executive share option schemes

		1 July 2002 Number	**30 June 2003 Number**	Exercise price Pence	Earliest exercise date	Latest exercise date
E M Ziff	1994 Unapproved	430,511	**380,511**	104.0	Nov – 00	Nov – 07
	1994 Unapproved	168,408	**–**	105.5	Jan – 01	Jan – 08
	1997 Approved	–	**22,727**	132.0	Sept – 05	Sept – 12
	SAYE	28,488	**28,488**	64.5	Feb – 06	Aug – 06
T J Crawford	1994 Unapproved	198,171	**121,671**	104.0	Nov – 00	Nov – 07
	1994 Unapproved	65,117	**65,117**	105.5	Jan – 01	Jan – 08
	1997 Approved	–	**22,727**	132.0	Sept – 05	Sept – 12
	SAYE	26,162	**26,162**	64.5	Feb – 04	Aug – 04
R A Lewis	1994 Unapproved	263,288	**263,288**	116.5	Jul – 04	Jul – 11
	1997 Approved	–	**22,727**	132.0	Sept – 05	Sept – 12
	SAYE	–	**10,252**	138.5	Feb – 10	Aug – 10
J T Sutcliffe	1997 Approved	–	**22,727**	132.0	Sept – 05	Sept – 12
	SAYE	–	**11,859**	138.5	Feb – 08	Aug – 08

The performance criteria attached to the above share option schemes are set out on page 23.

On 12 March 2003 E M Ziff exercised 168,408 shares under the 1994 Unapproved Scheme at 105.5p, the market price on the date of exercise was 130.0p creating a gain of £41,260. On 4 April 2003 E M Ziff exercised 50,000 shares under the 1994 Unapproved Scheme at 104.0p, the market price on the date of exercise was 120.5p creating a gain of £8,250.

On 26 September 2002, T J Crawford exercised 26,500 shares under the 1994 Unapproved Scheme at 104.0p, the market price on the date of exercise was 131.5p creating a gain of £7,287. On 12 March 2003 TJ Crawford exercised 35,000 shares under the 1994 Unapproved Scheme at 104.0p, the market price on the date of exercise was 130.0p creating a gain of £9,100. On 4 April 2003 T J Crawford exercised 15,000 shares under the 1994 Unapproved Scheme at 104.0p, the market price on the date of exercise was 120.5p creating a gain of £2,475.

On 25 September 2002, E M Ziff, T J Crawford, R A Lewis and J T Sutcliffe were each granted 22,727 ordinary shares of 25p at 132.0p under the 1997 Approved Executive Share Option Scheme. The earliest and latest exercise dates are September 2005 and September 2012, respectively.

On 22 November R A Lewis was granted options over 10,252 ordinary shares of 25p and J T Sutcliffe 11,859 ordinary shares of 25p at 138.5p under the SAYE Share Option Scheme. The earliest and latest exercise dates are February 2010 and August 2010 and February 2008 and August 2008, respectively.

The market price of the Company's ordinary shares at the year end was 146.5p. During the year the market price ranged between 120.0p and 147.5p.

R A Smith Chairman of the Remuneration Committee
10 September 2003

Independent Auditors' Report

To the members of Town Centre Securities plc

We have audited the financial statements which comprise the Consolidated Profit and Loss Account, the Balance Sheets, the Consolidated Cash Flow Statement, the Statement of Group Total Recognised Gains and Losses, the Note of Group Historical Cost Profits and Losses and the related notes. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the Directors' Remuneration Report ("the auditable part").

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of Directors' responsibilities. The Directors are also responsible for preparing the Directors' Remuneration Report.

Our responsibility is to audit the financial statements and the auditable part of the Directors' Remuneration Report in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the auditable part of the Directors' Remuneration Report have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Chief Executive's Report and the Corporate Governance Statement.

We review whether the Corporate Governance Statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Company's or Group's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the auditable part of the Directors' Remuneration Report. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the auditable part of the Directors' Remuneration Report are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- The financial statements give a true and fair view of the state of affairs of the Company and the Group at 30 June 2003 and of the profit and cash flows of the Group for the year then ended;
- The financial statements have been properly prepared in accordance with the Companies Act 1985; and
- *Those parts of the Directors' Remuneration Report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly* prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Leeds
10 September 2003

Consolidated Profit and Loss Account

year ended 30 June 2003

	Notes	2003 £000	2002 £000
Turnover	2		
Turnover including share of joint venture		**24,673**	24,024
Less share of joint venture		**(82)**	(88)
		24,591	23,936
Operating profit	3		
Group operating profit		**19,059**	19,074
Share of operating profit in joint venture		**81**	82
Total operating profit: Group and share of joint venture		**19,140**	19,156
Profit on disposal of properties	4	**854**	2,833
Profit before interest		**19,994**	21,989
Net interest payable	6	**(11,323)**	(10,877)
Profit before taxation		**8,671**	11,112
Taxation	7	**(2,197)**	(2,643)
Profit for the financial year	8	**6,474**	8,469
Dividends	9	**(3,429)**	(3,504)
Retained profit for the year	19	**3,045**	4,965
Earnings per ordinary share of 25p each:	10		
Basic		**9.8p**	11.5p
Diluted		**9.7p**	11.5p
Underlying earnings per ordinary share of 25p each:			
Basic		**8.6p**	8.1p
Diluted		**8.5p**	8.1p
Dividend per ordinary share of 25p each	9	**5.5p**	5.0p

All of the above results of the Group derive from continuing operations throughout the year.

Statement of Group Total Recognised Gains and Losses

year ended 30 June 2003

	Notes	2003 £000	2002 £000
Profit for the financial year		**6,474**	8,469
Unrealised surplus on the revaluation of properties	19	**16,445**	9,896
Share of unrealised surplus on the revaluation of joint venture properties	19	**125**	–
Taxation on disposal of revalued properties	19	**(373)**	(452)
Unrealised surplus on disposal of properties	19	**216**	–
Unrealised deficit on the revaluation of other investments	19	**(6)**	(16)
Total recognised gains relating to the year		**22,881**	17,897
Prior year adjustment		**–**	(4,688)
Total recognised gains and losses since last financial statements		**22,881**	13,209

Note of Group Historical Cost Profits and Losses

year ended 30 June 2003

	Notes	2003 £000	2002 £000
Profit before taxation		**8,671**	11,112
Realisation of investment property revaluation gains	19	**4,046**	3,425
Realisation of gain on disposal of investments	19	**44**	–
Historical cost profit before taxation		**12,761**	14,537
Historical cost retained profit		**7,135**	8,390

Consolidated Balance Sheet

as at 30 June 2003

		2003		2002	
	Notes	£000	£000	£000	£000
Fixed assets					
Tangible assets	11	**324,729**		315,474	
Investments	12	**738**		711	
			325,467		316,185
Investment in joint venture	12				
Share of gross assets		**1,094**		1,033	
Share of gross liabilities		**(44)**		(51)	
			1,050		982
Current assets					
Debtors	13	**2,975**		2,929	
		2,975		2,929	
Creditors (due within one year)					
Bank overdraft (secured)		**(3,619)**		(5,592)	
Loan capital (secured)	14	**(8,500)**		(2,001)	
Other creditors	15	**(14,194)**		(16,998)	
		(26,313)		(24,591)	
Net current liabilities			**(23,338)**		(21,662)
Total assets less current liabilities			**303,179**		295,505
Creditors (amounts due after more than one year)					
Loan capital (secured)	14		**(125,812)**		(129,363)
Provisions for liabilities and charges	16		**(6,961)**		(5,155)
Net assets			**170,406**		160,987
Capital and reserves – equity interests					
Called up equity share capital	18		**15,765**		17,512
Share premium account	19		**469**		207
Capital redemption reserve	19		**15,327**		13,492
Special reserve	19		**3,151**		3,151
Property revaluation reserve	19		**103,221**		90,697
Other reserve	19		**335**		385
Profit and loss account	19		**32,138**		35,543
Equity shareholders' funds	20		**170,406**		160,987

I A Ziff
Approved by the Board
10 September 2003

Company Balance Sheet

as at 30 June 2003

	Notes	2003 £000	2003 £000	2002 £000	2002 £000
Fixed assets					
Tangible assets	11	**61,789**		70,834	
Investments	12	**208,788**		196,641	
			270,577		267,475
Current assets					
Cash at bank and in hand		**–**		2,362	
Debtors	13	**83,820**		72,568	
		83,820		74,930	
Creditors (due within one year)					
Bank overdraft (secured)		**(1,239)**		–	
Loan capital (secured)	14	**(8,500)**		–	
Other creditors	15	**(46,572)**		(50,264)	
		(56,311)		(50,264)	
Net current assets			**27,509**		24,666
Total assets less current liabilities			**298,086**		292,141
Creditors (amounts due after more than one year)					
Loan capital (secured)	14		**(125,812)**		(129,363)
Provisions for liabilities and charges	16		**(1,868)**		(1,791)
Net assets			**170,406**		160,987
Capital and reserves – equity interests					
Called up equity share capital	18		**15,765**		17,512
Share premium account	19		**469**		207
Capital redemption reserve	19		**15,327**		13,492
Special reserve	19		**3,151**		3,151
Property revaluation reserve	19		**9,187**		9,240
Other reserve	19		**50,391**		38,318
Profit and loss account	19		**76,116**		79,067
Equity shareholders' funds	20		**170,406**		160,987

I A Ziff
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Consolidated Cash Flow Statement

year ended 30 June 2003

	2003	2003	2002	2002
	£000	£000	£000	£000
Net cash inflow from operating activities (Note 21)		**17,394**		19,112
Dividends received from joint venture		**125**		150
Returns on investments and servicing of finance				
Net interest paid		**(11,330)**		(11,033)
Taxation		**(1,836)**		(1,028)
Capital expenditure and financial investment				
Purchase of investment properties	**(5,927)**		(39,510)	
Expenditure on development properties	**(237)**		(2,713)	
Purchase of other tangible assets	**(277)**		(119)	
Proceeds from sale of properties	**14,555**		27,264	
Proceeds from sale of listed investments	**–**		27	
Proceeds from sale of other tangible assets	**26**		6	
Purchase of investments	**(175)**		–	
Proceeds from sale of own shares held in trust	**142**		–	
Purchase of own shares held in trust	**–**		(360)	
Net cash inflow/(outflow) from capital expenditure and financial investment		**8,107**		(15,405)
Equity dividends paid		**(3,453)**		(3,587)
Net cash inflow/(outflow) before financing		**9,007**		(11,791)
Financing				
Shares issued on take up of options	**350**		208	
Repurchase of share capital	**(10,383)**		(6,906)	
Loan repayments	**(2,001)**		(4,500)	
New loans	**5,000**		20,500	
Net cash (outflow)/inflow from financing		**(7,034)**		9,302
Increase/(decrease) in cash		**1,973**		(2,489)

The Group statement of cash flows should be read in conjunction with Note 21 to the Accounts.

Notes to the Accounts

1. Accounting policies

The Accounts are prepared under the historical cost convention as modified by the revaluation of properties and fixed asset investments and in accordance with applicable accounting standards.

The principal accounting policies are as follows:

a. Basis of consolidation

The consolidated accounts incorporate the Accounts of the Company and each of its subsidiary undertakings for the year ended 30 June 2003. Results of subsidiary undertakings acquired or disposed of during the year are consolidated under the acquisition method from or to the date on which control passes.

b. Goodwill

Goodwill arising on acquisitions prior to 30 June 1998 was set off directly against reserves in the year of acquisition. This is in line with the relevant accounting standard on goodwill, FRS 10. This goodwill will remain in reserves until such time as it becomes impaired or the business or businesses to which it relates are disposed of, at which time it will be taken to the Profit and Loss Account. Goodwill arising on subsequent acquisitions is capitalised and amortised on a straight line basis over its useful economic life, up to a maximum of 20 years.

c. Properties

Investment properties are revalued annually and included in the Accounts at open market values. They are held for long-term capital and income growth. Revaluation gains are taken to the Group's revaluation reserve. Temporary revaluation losses are charged to the revaluation reserve, while a permanent deficit on an investment property is charged to the Profit and Loss Account.

Development properties and trading properties are stated at cost or at Directors' previous valuation. Development properties are sites undergoing major development. Trading properties are purchased with the intention of being disposed of in the same financial year.

Interest incurred on development property additions is only capitalised on materially large new build developments with separately identifiable financing arrangements.

d. Profit on disposal of development properties

The profit on disposal of development properties is calculated after attributing direct costs. Partial disposal of development properties is calculated after attributing a proportion of other total costs.

e. Depreciation and amortisation

In accordance with SSAP 19, no depreciation or amortisation is provided in respect of freehold and long leasehold investment properties, including fixed plant, which is included in properties. The requirement of the Companies Act 1985 is to depreciate all properties, but that requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The Directors consider that this accounting policy is necessary for the Accounts to give a true and fair view. Depreciation or amortisation is only one of the factors reflected in the accounts' valuation and the amount attributable to this factor cannot be separately identified or quantified. If this departure from the Act had not been made, the profit for the financial year would have been reduced by depreciation.

Short leasehold properties are amortised over the period of the lease.

Other tangible assets are depreciated at rates appropriate to write off individual assets over their estimated useful lives of between three and ten years.

f. Investments

Except as stated below, investments held as fixed assets are stated at cost less provision for any permanent diminution in value. Listed investments and own shares held as fixed assets are included in the Accounts at market value. Revaluation gains and losses arising from this method of valuation are credited or charged to the Group's other reserve. Investments in subsidiary undertakings are stated in the Balance Sheet of the Company at valuation. All subsidiaries are valued by the Directors on an annual basis, such that investments are included at the Company's share of net tangible assets. This method of valuation is used by the Directors to give a better indication of the value to the Company of its subsidiary undertakings. Revaluation gains or losses arising from this method of valuation are credited or charged to the Company's other reserve.

Notes to the Accounts

1. Accounting policies (continued)

g. Joint ventures

A joint venture is defined as an undertaking other than a subsidiary or associated undertaking, in which the Group has a significant influence and is jointly controlled by the joint ventures. Joint ventures are accounted for in the Consolidated Accounts using the gross equity method. The Consolidated Profit and Loss Account includes the Group's share of the pre-tax profits and attributable taxation and the Consolidated Balance Sheet includes the Group's share of the net assets.

h. Pensions

The Group operates a defined contribution pension scheme for all eligible Directors and employees. Pension costs are charged to the Profit and Loss Account in the period to which they relate.

i. Deferred taxation

Deferred tax is provided in full on timing differences that result in an obligation at the Balance Sheet date to pay more tax, or a right to pay less tax, at a future date at rates expected to apply when they crystallise, based on current tax rates and law. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets when there is no commitment to sell the asset at the year end. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

j. Interest rate swaps

Interest rate swaps are used for hedging purposes to alter the risk profile of the existing underlying exposure of the Group. This is in line with the Group's risk management policies. Amounts payable or receivable in respect of interest rate swaps are recognised as adjustments to interest expense over the period of the swap contracts.

k. Turnover

Turnover, which excludes value added tax, represents the invoiced value of rent and other services supplied to customers outside the Group. Rental income is accounted for as it falls due in accordance with the lease to which it relates. Any lease incentives are spread across the initial period of the lease so as to recognise income evenly up to the date of the first rent review.

2. Segmental analysis

The Group operates in one business segment; property investment, trading and development, wholly in the United Kingdom.

3. Operating profit

	2003 £000	2002 £000
Operating profit is arrived at after charging/(crediting):		
Depreciation	**144**	87
Loss on disposal of investments	**–**	30
Profit on disposal of other tangible fixed assets	**(24)**	(6)
Auditors' remuneration:		
– audit (Company: £16,000 (2002: £16,000))	**37**	30
– non-audit:		
– tax compliance	**47**	23
– tax advisory	**29**	65
– other fees	**13**	2

4. Exceptional profits

	2003 £000	2002 £000
Profit on disposal of properties	**854**	2,833

Profit on disposal of properties is calculated as the difference between the previous valuation and proceeds, net of costs of disposal. The tax charge on the exceptional profit amounts to £220,000 (2002: £849,000).

5. Employees

	2003 £000	2002 £000
Salaries, wages and bonuses (including Directors' emoluments)	**2,591**	1,959
Social security costs	**273**	177
Other pension costs	**193**	53
Employees' profit share scheme	**25**	45
	3,082	2,234

The aggregate remuneration of the Directors of the Company for the year was £1,839,000 (2002: £1,240,000). Further details of Directors' remuneration and their share options including those of the highest paid Director, E M Ziff, are included on pages 24 to 26 of the Directors' Remuneration Report.

The average monthly number of employees during the year was 72 (2002: 75). The Group operates a pension arrangement for the benefit of all eligible Directors and employees, which is in the nature of a defined contribution scheme. The assets of the scheme are held separately from those of the Company in independently administered funds.

The above costs include wages recovered from tenants through service charges of £438,000 (2002: £444,000).

6. Net interest payable

	2003 £000	2002 £000
Interest on and amortisation of debenture loan stock	**8,875**	8,879
Interest on other loans	**69**	214
Interest on bank loans and overdrafts	**2,423**	1,793
Share of joint venture interest receivable	**(3)**	(5)
Other interest receivable	**(41)**	(4)
	11,323	10,877

Interest payable on loans repayable after five years, included in the above, amounts to £8,875,000 (2002: £8,879,000).

7. Taxation

	2003 £000	2002 £000
Based on the Group profit at 30% (2002: 30%)		
Corporation tax:		
Group	**1,404**	2,677
Joint venture	**16**	17
	1,420	2,694
Deferred tax	**927**	467
	2,347	3,161
Prior year:		
Corporation tax	**(1,029)**	(518)
Deferred tax	**879**	–
	(150)	(518)
	2,197	2,643

The Group allocates the tax charge arising on the sale of investment properties between the gain previously recognised in the revaluation reserve and the further gain or loss arising on the sale in the Profit and Loss Account.

The Directors estimate that a tax liability of £9.7m would arise in the Group (2002: £8.0m), Company £2.0m (2002: £2.5m), if the revalued assets were disposed of at the amount stated in the Accounts. The aggregate current corporation tax charge is £391,000 (2002: £2,176,000) and is therefore lower than the standard rate of corporation tax in the UK (30%). The differences are explained as follows:

	2003 £000	2002 £000
Profit on ordinary activities before tax	**8,671**	11,112
Profit on ordinary activities multiplied by the standard rate in the UK 30% (2002: 30%)	**2,601**	3,334
Effects of:		
Adjustments to tax charge in respect of prior periods	**(1,029)**	(518)
Permanent differences	**(140)**	48
Accelerated capital allowances	**(927)**	(522)
Short-term timing differences	**–**	55
Non-qualifying profit plus chargeable gains arising on disposal	**(114)**	(221)
Current tax charge for the period	**391**	2,176

8. Profit for the financial year

Town Centre Securities PLC has not presented its own Profit and Loss Account as permitted by Section 230 of the Companies Act 1985. The amount of the consolidated profit for the financial year dealt with in the Accounts of the parent undertaking is £8,637,000 (2002: £6,239,000).

9. Dividends

	2003 £000	2002 £000
Interim paid 1.65p per share (2002: 1.5p)	**1,046**	1,052
Final proposed 3.85p per share (2002: 3.5p)	**2,428**	2,452
Over provision for prior year dividend	**(45)**	–
	3,429	3,504

10. Earnings per share (EPS)

	2003			2002		
	Earnings £000	**Weighted average number of shares '000**	**Earnings per share Pence**	Earnings £000	Weighted average number of shares '000	Earnings per share Pence
Basic EPS						
Earnings and earnings per share	**6,474**	**66,329**	**9.8**	8,469	73,446	11.5
Effect of dilutive securities						
Options	**–**	**297**	**(0.1)**	–	382	–
Diluted EPS	**6,474**	**66,626**	**9.7**	8,469	73,828	11.5
Basic EPS	**6,474**	**66,329**	**9.8**	8,469	73,446	11.5
Exceptional profit on disposal of properties (after tax)	**(634)**	**–**	**(1.0)**	(1,984)	–	(2.7)
Prior year tax adjustment	**(150)**	**–**	**(0.2)**	(518)	–	(0.7)
Underlying EPS	**5,690**	**66,329**	**8.6**	5,967	73,446	8.1
Diluted EPS	**6,474**	**66,626**	**9.7**	8,469	73,828	11.5
Exceptional profit on disposal of properties (after tax)	**(634)**	**–**	**(1.0)**	(1,984)	–	(2.7)
Prior year tax adjustment	**(150)**	**–**	**(0.2)**	(518)	–	(0.7)
Diluted underlying EPS	**5,690**	**66,626**	**8.5**	5,967	73,828	8.1

Underlying earnings and earnings per share have been disclosed in order that the effects of exceptional profits and prior year taxation on reported earnings can be fully appreciated.

Notes to the Accounts

11. Tangible fixed assets

Investment properties at valuation

	Company			Group	
	Freehold £000	Long leasehold £000	Short leasehold £000	Freehold £000	Long leasehold £000
Valuation at 1 July 2002	50,659	4,970	3,393	285,247	17,612
Additions	7,804	—	—	16,804	73
Disposals	(10,530)	(1,410)	—	(23,025)	(1,410)
Transfers to Group companies	(7,035)	—	—	—	—
Increase in value on revaluation	2,099	168	—	15,635	810
Amortisation	—	—	(484)	—	—
Valuation at 30 June 2003	**42,997**	**3,728**	**2,909**	**294,661**	**17,085**
Total valuation at 30 June 2003		**49,634**			**311,746**

The above freehold and long leasehold investment properties have been revalued as at 30 June 2003 on the basis of open market value by Jones Lang LaSalle (£305,605,000) in accordance with the RICS Appraisal and Investment Manual. Certain other freehold properties have been valued at £6,141,000 by the Directors (2002: £30,000).

Development properties

	Company freehold £000	Group freehold £000
Cost/previous valuation at 1 July 2002	11,485	12,288
Additions	212	237
Cost/previous valuation at 30 June 2003	**11,697**	**12,525**

Fixtures, equipment and motor vehicles

	Company		Group	
	Cost £000	Depreciation £000	Cost £000	Depreciation £000
At 1 July 2002	1,217	890	1,217	890
Additions	277	—	277	—
Disposals	(118)	(116)	(118)	(116)
Depreciation charge for the year	—	144	—	144
At 30 June 2003	**1,376**	**918**	**1,376**	**918**
Net book value at 30 June 2003		**458**		**458**
Total tangible fixed assets		**61,789**		**324,729**

The historical cost of tangible assets amount to: Group £222.5m (2002: £225.7m); Company £53.5m (2002: £62.5m). The depreciated historical cost of tangible assets amounted to: Group £221.6m (2002: £224.8m); Company £52.6m (2002: £61.6m).

11. Tangible fixed assets (continued)
Capital commitments

	2003		2002	
	Company £000	**Group £000**	Company £000	Group £000
Expenditure contracted not provided	**252**	**252**	–	820

12. Fixed asset investments

	Shares in/ loans to subsidiary undertakings £000	Joint ventures £000	Listed investments £000	Own shares held £000	Total £000
Company					
At 1 July 2002	196,061	1	42	537	196,641
Additions	41	–	175	–	216
Disposals	–	–	–	(142)	(142)
Increase on revaluation	10,994	1,049	7	23	12,073
At 30 June 2003	**207,096**	**1,050**	**224**	**418**	**208,788**
Historic cost					
At 1 July 2002	169,203	1	31	492	169,727
At 30 June 2003	**169,244**	**1**	**206**	**350**	**169,801**
Group					
At 1 July 2002	–	982	174	537	1,693
Share of net assets for the year	–	68	–	–	68
Additions	–	–	174	–	174
Disposals	–	–	–	(142)	(142)
Dividend received	–	(125)	–	–	(125)
Increase/(decrease) on revaluation	–	125	(28)	23	120
At 30 June 2003	**–**	**1,050**	**320**	**418**	**1,788**
Historic cost					
At 1 July 2002	–	1	53	492	546
At 30 June 2003	**–**	**1**	**227**	**350**	**578**

Details of subsidiary undertakings and joint ventures are provided in Note 22.

Own shares held represents the market value of shares held by TCS Trustees Limited. This Company holds shares for future distribution to employees in respect of the Deferred Annual Bonus Plan, in accordance with the rules of that scheme and long service awards. The number of shares held at 30 June 2003 was 285,003 (2002: 387,648).

The Company has funded the acquisition of the shares by way of a loan to TCS Trustees Limited. Interest is charged at the rate of 3% per annum and is repaid out of dividend income. All costs relating to the schemes are dealt with in the Profit and Loss Account as they accrue.

13. Debtors

	2003		2002	
	Company £000	**Group £000**	Company £000	Group £000
Trade debtors and prepayments	**547**	**2,975**	484	2,929
Amounts owed by subsidiary undertakings	**77,779**	**–**	69,182	–
Corporation tax	**5,494**	**–**	2,902	–
	83,820	**2,975**	72,568	2,929

14. Loan capital (secured)

Group and Company	Maturity date	**2003 £000**	2002 £000
Parent undertaking			
10½ % First Mortgage Debenture Stock	2021	**87,312**	87,363
Bank loans	2003	**–**	18,000
	2004	**8,500**	8,000
	2005	**18,500**	16,000
	2008	**20,000**	–
		134,312	129,363
Subsidiary undertakings			
Loan notes		**–**	2,001
		134,312	131,364
Less amounts repayable within one year (parent undertaking: £8.5m (2002: £nil))		**(8,500)**	(2,001)
		125,812	129,363

The debenture mortgages and bank loans are secured by fixed charges on properties, valued at £250.7m (2002: £260.3m) owned by the Company and its subsidiary undertakings.

15. Other creditors

	2003		2002	
	Company £000	**Group £000**	Company £000	Group £000
Trade creditors and accruals	**5,584**	**8,657**	5,359	10,380
Other taxation and social security	**105**	**114**	82	82
Proposed dividend	**2,428**	**2,428**	2,452	2,452
Amounts owed to subsidiary undertakings	**38,455**	**–**	42,371	–
Corporation tax	**–**	**2,995**	–	4,084
	46,572	**14,194**	50,264	16,998

16. Provisions for liabilities and charges

	2003 £000	2002 £000
Company		
Tax effect of timing differences:		
Accelerated capital allowances	**1,909**	1,842
Short-term timing differences	**(41)**	(51)
Total deferred tax liability	**1,868**	1,791
1 July 2002	**1,791**	1,743
Deferred tax charge in the Profit and Loss Account	**77**	48
At 30 June 2003	**1,868**	1,791
Group		
Tax effect of timing differences:		
Accelerated capital allowances	**7,002**	5,210
Short-term timing differences	**(41)**	(55)
Total deferred tax liability	**6,961**	5,155
1 July 2002	**5,155**	4,688
Deferred tax charge in the Profit and Loss Account (Note 7)	**1,806**	467
At 30 June 2003	**6,961**	5,155

Factors that may affect future tax charges

No provision has been made for deferred tax on gains recognised on the revaluation of properties to market value as there is no commitment to sell at the year end.

17. Financial instruments

The Group finances its operations through a combination of retained cash flows, debentures and bank borrowings. Procedures are in place to monitor interest rate risk as considered appropriate by management. The Group has taken advantage of the exemption that short-term debtors and creditors be excluded from the following disclosures.

All financial liabilities are denominated in sterling.

Liquidity risk

The maturity profile of the Group's financial liabilities is set out below:

	As at 30 June 2003			As at 30 June 2002		
	Bank borrowings £000	**Debenture stock £000**	**Total £000**	Bank borrowings £000	Debenture stock £000	Total £000
In one year or less or on demand	**12,119**	**—**	**12,119**	7,593	—	7,593
In more than one year but not more than two years	**18,500**	**—**	**18,500**	26,000	—	26,000
In more than two years but not more than five years	**20,000**	**—**	**20,000**	16,000	—	16,000
In more than five years	**—**	**85,000**	**85,000**	—	85,000	85,000
	50,619	**85,000**	**135,619**	49,593	85,000	134,593
Debenture issue premium allocated to future periods	**—**	**2,312**	**2,312**	—	2,363	2,363
Gross financial liabilities	**50,619**	**87,312**	**137,931**	49,593	87,363	136,956

The debenture issue premium allocated to future periods is net of issue costs.

The Group has undrawn floating rate bank borrowing facilities as set out below:

	2003 £000	2002 £000
Expiring in one year or less	**15,381**	9,408
Expiring in more than one year	**9,000**	7,700
	24,381	17,108

The facilities expiring in one year or less are overdraft facilities subject to annual review and the Yorkshire Bank term loan. Other facilities are available to provide funding for future investments.

17. Financial instruments (continued)

Interest rate risk

The interest rate risk of the Group's financial liabilities is as follows:

	As at 30 June 2003			As at 30 June 2002		
	Nominal value £000	**Weighted average rate %**	**Weighted average period Years**	Nominal value £000	Weighted average rate %	Weighted average period Years
Debenture stock	**85,000**	**10.5**	**17.70**	85,000	10.50	18.70
Bank fixed rate liabilities	**—**	**—**	**—**	14,000	7.04	0.83
	85,000	**10.5**	**17.70**	99,000	10.01	16.23
Bank floating rate liabilities	**50,619**			35,593		
	135,619			134,593		

Floating rate financial liabilities bear interest at rates based on LIBOR plus 0.75%.

Fair values

The fair values of the Group's financial liabilities are set out below:

	As at 30 June 2003		As at 30 June 2002	
	Book value £000	**Fair value £000**	Book value £000	Fair value £000
Debenture stock	**87,312**	**109,650**	87,363	107,844
Bank borrowings	**50,619**	**50,619**	49,593	49,593
Interest rate swap (notional value £14,000,000)	**—**	**—**	—	205
	137,931	**160,269**	136,956	157,642

The fair values are determined by prices available from the market on which the financial liability is traded.

Bank borrowings approximate fair value due to the relatively short maturity of the instruments.

18. Called up equity share capital

Authorised

164,879,000 (2002: 164,879,000) ordinary shares of 25p each.

Issued and fully paid

	Number of shares 000	Nominal value £000
At 1 July 2002	70,051	17,512
Buy-back of own shares	(7,341)	(1,835)
Issued on take-up of options	352	88
At 30 June 2003	**63,062**	**15,765**

During the year the Company purchased 7,341,241 ordinary shares in the market for cancellation.

Date of purchase	Number of shares 000	Nominal value £000	Price per share Pence	Total consideration £000	Percentage of current issued share capital %
1 October 2002	63	16	137	88	0.1
2 October 2002	118	29	140	166	0.2
8 October 2002	600	150	147.5	894	1.0
15 October 2002	333	83	142	478	0.5
9 December 2002	1,479	370	141	2,106	2.3
19 December 2002	1,500	375	142	2,151	2.4
6 January 2003	425	106	145	622	0.7
7 January 2003	1,250	312	145	1,831	2.0
13 March 2003	150	38	130	197	0.2
19 March 2003	150	38	127	192	0.2
25 March 2003	110	27	124	137	0.2
26 March 2003	438	110	125	553	0.7
8 April 2003	400	100	122.5	495	0.6
18 June 2003	325	81	144	473	0.5
	7,341	**1,835**		**10,383**	**11.6**

The exercise of all options outstanding at 30 June 2003 would result in the issue of a further 1,168,825 ordinary shares, analysed as follows:

	Options outstanding at 30 June 2003 Number	*Exercise dates*	Exercise *price* Pence
1994 Executive share option scheme	830,587	Nov 00 – Jan 08	104.0 and 105.5
1997 Executive share option scheme	215,560	Apr 01 – Sept 12	66.5 – 132.0
SAYE schemes 1995–2002	122,678	Jul 01 – Aug 10	64.5 – 138.5
	1,168,825		

19. Reserves

	Share premium account £000	Capital redemption reserve £000	Special reserve £000
Company and Group			
At 1 July 2002	207	13,492	3,151
Arising on issue of shares	262	–	–
Arising on purchase and cancellation of own shares	–	1,835	–
At 30 June 2003	**469**	**15,327**	**3,151**

	Property revaluation reserve £000	Other reserve £000	Profit and loss account £000
Company			
At 1 July 2002	9,240	38,318	79,067
Retained profit for the year	–	–	5,208
Increase in value on revaluation of properties	2,267	–	–
Arising on disposal of investment properties	(2,320)	–	2,320
Unrealised surplus on disposal of investment properties	–	–	110
Taxation on disposal of revalued properties	–	–	(206)
Revaluation of investments in subsidiary undertakings	–	12,043	–
Arising on purchase and cancellation of own shares	–	–	(10,383)
Increase in market value of fixed asset investments	–	7	–
Increase on revaluation of own shares held	–	23	–
At 30 June 2003	**9,187**	**50,391**	**76,116**

	Property revaluation reserve £000	Other reserve £000	Profit and loss account £000
Group			
At 1 July 2002	90,697	385	35,543
Retained profit for the year	–	–	3,045
Increase in value on revaluation of properties	16,445	–	–
Increase in value on revaluation of joint venture properties	125	–	–
Arising on disposal of investment properties	(4,046)	–	4,046
Arising on disposal of investments	–	(44)	44
Unrealised surplus on disposal of investment properties	–	–	216
Taxation on disposal of revalued properties	–	–	(373)
Arising on purchase and cancellation of own shares	–	–	(10,383)
Decrease in market value of fixed asset investments	–	(29)	–
Increase on revaluation of own shares held	–	23	–
At 30 June 2003	**103,221**	**335**	**32,138**

The other reserve represents revaluation surpluses on investments.

20. Reconciliation of movements in equity shareholders' funds

	Company £000	Group £000
Profit for the financial year	8,637	6,474
Dividends	(3,429)	(3,429)
	5,208	3,045
Arising on purchase and cancellation of own shares	(10,383)	(10,383)
New share capital subscribed	350	350
Surplus on property revaluation	2,267	16,570
Revaluation of investments in subsidiary undertakings	12,043	—
Unrealised surplus on disposal of investment properties	110	216
Taxation on disposal of revalued properties	(206)	(373)
Surplus/(deficit) on revaluation of fixed asset investments	7	(29)
Surplus on revaluation of own shares held	23	23
Net increase in shareholders' funds	**9,419**	**9,419**
Opening equity shareholders' funds	160,987	160,987
Closing equity shareholders' funds	**170,406**	**170,406**

21. Notes to the Consolidated Cash Flow Statement

a. Reconciliation of operating profit to net cash inflow from operating activities

	2003 £000	2002 £000
Operating profit	**19,059**	19,074
Depreciation	**144**	87
Profit on sale of fixed assets	**(24)**	(6)
Loss on sale of investments	**—**	30
Decrease in trading properties	**—**	471
(Increase)/decrease in debtors	**(46)**	985
Decrease in creditors	**(1,739)**	(1,529)
Net cash inflow from operating activities	**17,394**	19,112

b. Analysis of changes in net debt

	As at 1 July 2002 £000	Cash flow £000	Other non-cash movements £000	**As at 30 June 2003 £000**
Bank overdraft	(5,592)	1,973	—	**(3,619)**
Loan capital due within one year	(2,001)	2,001	(8,500)	**(8,500)**
Loan capital due after more than one year	(129,363)	(5,000)	8,551	**(125,812)**
Net debt	(136,956)	(1,026)	51	**(137,931)**

The other non-cash movement represents the amortisation of debenture issue premium of £51,000 and the transfer of loans between due after and within one year.

21. Notes to the Consolidated Cash Flow Statement (continued)

c. Reconciliation of net cash flow to movement in net debt

	2003 £000	2002 £000
Decrease/(increase) in bank overdraft	**1,973**	(2,489)
Net increase in loan capital	**(2,999)**	(16,000)
Other non-cash movements	**51**	46
Change in net debt	**(975)**	(18,443)
Opening net debt	**(136,956)**	(118,513)
Closing net debt	**(137,931)**	(136,956)

d. Major non-cash transactions

Part of the consideration for the purchase of The Eagle Building, Glasgow, comprised a property swap to the value of £10.9m.

22. Additional information – subsidiaries

The Company's wholly owned active subsidiary undertakings at 30 June 2003, registered in England and operating in the United Kingdom, are as follows:

TCS (Bothwell Street) Limited	Property investment
TCS Freehold Investments Limited	Property investment
TCS (Greenhithe) Limited	Property investment
TCS (Greenock) Limited	Property investment
TCS (Isleworth) Limited	Property investment
TCS Holdings Limited	Property investment
TCS Leasehold Investments Limited	Property investment
TCS (Mill Hill) Limited	Property investment
TCS Properties Limited	Property investment
TCS (Residential) Limited	Property investment
TCS Trustees Limited	Trustee for employee share option plan
TCS (Vassalli) Limited	Management company
TCCP PLC	Management company

The Company's joint venture which is also registered in England and operates in the United Kingdom:

		Portion of ordinary shares held
Buckley Properties (Leeds) Limited	Property investment	50%

The joint venture's year end was 31 March 2003. The results of the joint venture have been consolidated in the Group based on the financial statements at 31 March 2003, adjusted for the receipt of a dividend in June 2003.

The Group has taken advantage of the exemption available under FRS 8 "Related Party Disclosures" from disclosing transactions between related parties within the Group.

Valuer's Report

The Directors
Town Centre Securities PLC
Town Centre House
The Merrion Centre
Leeds
LS2 8LY

Dear Sirs

4 September 2003

Town Centre Securities PLC – Property Portfolio Valuation – 30 June 2003

In accordance with your written instructions we have inspected and valued the various freehold and leasehold properties held by Town Centre Securities PLC and its various subsidiary companies, for accounts purposes as at 30 June 2003.

The valuations have been prepared in accordance with the Practice Statements contained within the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards, in our capacity as external valuers, on the basis of Market Value. No allowances have been made for expenses of realisation or for taxation that might arise in the event of a disposal deemed or otherwise. All rental and capital values stated are exclusive of VAT. The properties have been considered free and clear of any charges which may be secured thereon and we have assumed good and marketable title in each property. The interests have been valued subject to and with the benefit of any lettings which have been disclosed.

Having regard to the foregoing we are of the opinion that the aggregate Open Market Value of the interests owned by the Group as at 30 June 2003 subject to and with the benefit of the tenancies currently subsisting were as follows:

Leasehold	£17,085,000
Freehold	£288,520,000
Total	**£305,605,000**

In accordance with our standard practice we confirm that our valuations have been prepared for Town Centre Securities PLC and for the purpose to which this certificate refers. No responsibility is accepted to any third party in respect of the information or advice contained therein, except in circumstances where our prior written approval has been granted.

Yours faithfully

Alistair Russell FRICS European Director
For and on behalf of Jones Lang LaSalle Limited

Town Centre Securities and the Community

We have for many years supported a number of charities and currently we have decided to support four particular causes. We understand that many charitable causes are short of funding but sadly we are unable to support all the requests we receive for help. For the time being the charities which will receive our attention and efforts are: The Leeds Jewish Welfare Board, the NSPCC, Lionheart and the Variety Club of Great Britain.

The Leeds Jewish Welfare Board is a voluntary organisation providing a comprehensive range of social, residential and day care services to the Jewish community of Leeds and the surrounding areas. We continue to support the redevelopment of the Queenshill Day Centre in North Leeds which is used by old people as a traditional day centre and as a learning centre for those people within the Welfare Board's care who suffer with severe disabilities.

The NSPCC aims to end cruelty to children within a generation. The NSPCC FULL STOP campaign is a major step towards creating the will to prevent child abuse through campaigning and fundraising for new services. We at Town Centre Securities support the fight against child abuse and are aiming to continue to support this excellent effort to help and protect children in West Yorkshire.

Lionheart helps members of the RICS and their dependents through a variety of confidential services. Financial help by grant or loan to those suffering hardship can be provided together with confidential advice. Each year Lionheart helps more than 2,500 people through a network of 260 members who volunteer their time to serve as stewards visiting those in need.

The primary mission of the Variety Club of Great Britain is to raise money for disabled and disadvantaged children. The money goes towards buying Sunshine coaches, electric wheelchairs, specially adapted computers and to support other projects which improve the quality of life for some of the country's unluckiest youngsters.

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www.flathillplc.com

Town Centre Securities PLC
Town Centre House
The Merrion Centre
Leeds LS2 8LY
Telephone: 0113 222 1234
Facsimile: 0113 242 1026
Email: info@tcs-plc.co.uk
Website: www.tcs-plc.com